

IV. CONCLUSION

The analysis of the nature of telephone-billed interactive information service transactions and the survey results show that consumer expectations and the nature of the transaction combine to create a high probability that consumers will be confused about and misled into purchases of information.

Recognizing this, marketers are likely to design campaigns to exploit this consumer weakness. This may include targeting of particularly vulnerable market segments and design of scripts and sales pitches to deceive consumers.

Consumers are not supportive of the easy billing approaches on which telephone-billed services have relied. Less than one-quarter see the "just punch one" option as preferable. Furthermore, this option is most favored by the younger and lower income respondents -- but even in this group only about one third prefer this approach.

Thus, this report provides evidence in support of aggressive efforts to protect consumers from the abusive potential of telephone-billed transactions. The newness and nature of the potential abuses requires mechanisms above and beyond traditional consumer protections.

Electronic billing for information services during 800 and 900 number calls cannot be treated as a routine purchase. The "Just Punch One" billing approach preferred by marketers is particularly prone to error on the part of consumers and deception on the part of marketers. The public does not understand the

billing situation well and is very likely to be misled about billing. A plurality does not even want any of this type of billing to go on and an overwhelming majority does not prefer this "just punch one" approach.

Consumers are not likely to, nor do they have much chance of, correcting errors. Consumer protection agencies have great difficulty policing these private, electronic transactions. Steps to prevent abuses in telemarketing of information services on 800 and 900 number calls are urgently needed.

STATE OF TENNESSEE
OFFICE OF THE ATTORNEY GENERAL,
DIVISION OF CONSUMER AFFAIRS,
AND PUBLIC SERVICE COMMISSION

PRESS STATEMENT
REGARDING UNIVERSITY OF TENNESSEE SURVEY
ON 900 NUMBER SERVICES

April 15, 1991

Nashville -- A survey commissioned by the Tennessee Attorney General's Office, the Public Service Commission and the Tennessee Division of Consumer Affairs shows that there is significant consumer confusion among Tennesseans about 900 number services.

The survey of 802 Tennesseans was conducted statewide by the University of Tennessee Social Science Research Institute at the request of the three state agencies because of their concern over whether the service itself has the potential of emerging as an unfair trade practice. The results of the survey confirm that it does.

One point the survey uncovered was lack of knowledge regarding billing practices for 900 numbers. Only 20.9% knew correctly that their phone service could not be disconnected for non-payment of 900 number calls, while nearly all of the respondents knew that phone service could be disconnected for non-payment of local service (90.6%) and long distance services (83.2%). Of the 51.3% who thought service could be disconnected, 4% said they had been threatened with disconnection for non-payment of these calls. 8.6% of those threatened with disconnection were non-white, compared to only 3.3% of the whites.

"In Tennessee, your telephone service cannot be cut off by a local telephone company for the failure to pay 900 charges; and Tennesseans may request from local telephone carriers, free of charge, blocking services so that 900 calls cannot be made from their telephones," said Public Service Commissioner Steve Hewlett.

Over one-third of the survey participants did not know that the charges for 900 services depend on the nature of the services provided. For example, some calls have a flat rate charge, while others charge on a per-minute basis at a higher than normal rate. 14.3% didn't know what a 900 number call is; while another 5.5% incorrectly believed that, like 800 numbers, 900 numbers can be called free of charge. 15.6% mistakenly believe there is a set charge for all 900 numbers.

One-fourth of the survey's 802 respondents (24.1%) said their families had ever called a 900 number. However, as noted in "The 900 Report" from a multi-state working group of Attorneys General, it is anticipated that this rapidly expanding industry will grow nationwide from its current level of \$750 million to \$1.6 billion in 1992. This present low number of consumer usage will dramatically change as we see increased market penetration and growth of 900 number services in Tennessee. Of those making 900 calls, over one-third were not satisfied with the service of the call. Almost 22% had mixed feelings or didn't know. Nearly half (48.7%) were not satisfied with the price of the call.

By a 1989 order of the Tennessee Public Service Commission, local telephone companies, such as South Central Bell, must offer free blocking services for 900 number calls. The blocking prevents these calls from being made from a consumer's telephone. Just a little over half (58.5%) of the survey's respondents knew that such a service was available. The remaining respondents either didn't know or thought there was no way to block these calls. Only 20.6% knew that this service was offered free of charge by the telephone company. 68.2% didn't know or thought a charge was involved.

Nearly one-third of the people surveyed had no idea where to report complaints against 900 number services. 42.1% identified the phone company. Therefore, these state regulators believe it is clear that the telephone companies, both the local and long distance carriers, should play a primary role in educating the consumers and resolving problems encountered with 900 number services. 10.7% would complain to the Public Service Commission, and other responses were scattered among a number of state and local agencies. The Public Service Commission has an established procedure to address 900 number problems, and generally will contact the telephone carriers about billing adjustments on disputed 900 number charges. The Division of Consumer Affairs also addresses complaints regarding 900 services, and often contacts the Information Providers, who are the businesses ultimately offering and putting together the 900 services. Sometimes, although the local carrier may agree to adjust your bill, the Information Provider will hire private collection agencies to pursue the 900 charges.

The Attorney General's Office, the Public Service Commission, and the Division of Consumer Affairs will be calling upon telephone companies and the rest of the industry to dramatically increase efforts to educate consumers on the use of 900 services and related problems.

According to Elizabeth Owen, Director of the Division of Consumer Affairs, the information gathered from the survey will be used by the Tennessee Division of Consumer Affairs to step up her agency's efforts to make consumers more aware of their options with 900 number service.

"While we will continue to increase our efforts to inform Tennessee consumers about their options with 900 number service, we also want to encourage the telephone companies, carriers, and the information providers to also assist in this effort," said Owen.

"The results of this survey re-emphasize the need for consumer education regarding this growing industry. Regulation and enforcement tools must be tailored to the level of consumer knowledge as to their rights in the use of this service. The survey establishes the fact that the present level of consumer awareness in Tennessee mandates stringent regulatory action and vigilant enforcement. Sound education creating an informed citizenry in the use of these services may enable this industry to grow in a much less highly regulated environment. It could mean the difference between the growth or decline of this industry," said Tennessee Attorney General Burson.

The survey was conducted by telephone between March 23 and March 28, 1991. The 802 respondents were chosen by Random Digit Dialing methods. The margin of error is three and one-half percent.

Which of the following statements best reflects what you think about 900 numbers.

	Free of charge	Set charge	Depends on Service	Don't Know
Overall	5.5%	15.6%	64.5%	14.3%
Male	4.7%	15.2%	68.9%	11.1%
Female	6.4%	15.8%	60.4%	17.5%
Age				
18-29	7.4%	16.8%	67.8%	8.1%
30-44	4.9%	18.3%	70.3%	6.5%
45-64	5.0%	14.4%	61.4%	19.3%
Over 65	6.8%	9.6%	50.7%	32.9%
Less than 12,500	9.6%	13.7%	43.8%	32.9%
12,500-25,000	6.5%	16.8%	60.6%	16.1%
25,000-35,000	6.2%	15.8%	67.1%	11.0%
35,000-50,000	4.2%	15.4%	71.3%	9.1%
Over 50,000	1.5%	16.8%	76.6%	5.1%
Less than High School	9.9%	9.9%	44.6%	35.6%
High School Graduate	6.4%	17.0%	66.1%	10.5%
College Graduate	2.1%	15.6%	75.5%	6.8%
White	5.1%	15.0%	67.3%	12.6%
Non-White	8.3%	21.4%	51.2%	19.0%
East Tennessee	5.6%	15.2%	68.4%	10.8%
Middle Tennessee	6.2%	15.4%	61.2%	17.3%
West Tennessee	4.7%	16.6%	63.7%	15.0%
Large City	3.8%	16.7%	70.0%	9.5%
Small City	7.5%	15.0%	66.7%	10.9%
Town	2.4%	18.3%	62.2%	17.1%
Small Town	9.0%	17.0%	58.0%	16.0%
Nonfarm Rural	3.7%	12.2%	67.1%	17.1%
Rural farm	10.0%	13.3%	60.0%	16.7%

Have you or any member of your family ever made a 900 number call?

	Yes	No	Don't Know
Overall	24.1%	71.2%	4.7%
Male	21.1%	73.2%	5.6%
Female	26.8%	69.3%	3.9%
Age			
18-29	28.6%	66.9%	4.5%
30-44	25.6%	70.7%	3.7%
45-64	23.6%	72.2%	4.2%
Over 65	14.3%	76.2%	9.5%
Less than 12,500	35.4%	59.5%	5.1%
12,500-25,000	28.0%	68.5%	3.6%
25,000-35,000	19.7%	73.0%	7.2%
35,000-50,000	25.2%	69.4%	5.4%
Over 50,000	19.3%	77.1%	3.6%
Less than High School	24.3%	69.4%	6.3%
High School Graduate	26.6%	68.3%	5.1%
College Graduate	20.5%	75.9%	3.6%
White	23.5%	71.9%	4.6%
Non-White	30.3%	62.9%	6.7%
East Tennessee	24.9%	69.8%	5.3%
Middle Tennessee	21.0%	73.8%	5.2%
West Tennessee	27.1%	69.5%	3.4%
Large City	24.0%	73.3%	2.7%
Small City	22.9%	68.8%	8.3%
Town	33.7%	57.8%	8.4%
Small Town	22.4%	76.6%	.9%
Nonfarm Rural	21.7%	74.7%	3.6%
Rural farm	21.0%	71.0%	8.1%

Were you satisfied with the service of the call?

	Yes	No	Mixed	Don't Know
Overall	41.7%	36.6%	5.2%	16.5%
Age				
18-29	37.5%	35.4%	10.4%	16.7%
30-44	46.6%	39.7%	4.1%	9.6%
45-64	44.6%	30.4%	0.0%	25.0%
Over 65	20.0%	46.7%	13.3%	20.0
Male	47.5%	35.0%	2.5%	15.0%
Female	37.7%	37.7%	7.0%	17.5%
Less than 12,500	25.8%	41.9%	3.2%	29.0%
12,500-25,000	36.0%	40.0%	6.0%	18.0%
25,000-35,000	51.4%	31.4%	14.3%	2.9%
35,000-50,000	55.3%	34.2%	7.9%	2.6%
Over 50,000	41.4%	34.5%	10.3%	13.8%
Less than High School	29.0%	48.4%	3.2%	19.4%
High School Graduate	40.5%	36.4%	5.8%	17.4%
College Graduate	56.1%	26.8%	4.9%	12.2%
White	45.4%	33.1%	4.9%	16.6%
Non-White	20.7%	55.2%	6.9%	17.2%
East Tennessee	28.2%	42.3%	4.2%	25.4%
Middle Tennessee	50.0%	29.0%	6.5%	14.5%
West Tennessee	49.2%	37.7%	4.9%	8.2%
Large City	42.4%	33.9%	8.5%	15.3%
Small City	42.5%	32.5%	5.0%	20.0%
Town	46.4%	32.1%	.0%	21.4%
Small Town	28.6%	64.3%	3.6%	3.6%
Nonfarm Rural	57.9%	26.3%	.0%	15.8%
Rural farm	40.0%	20.0%	13.3%	26.7%

Were you satisfied with the price of the 900 call?

	Yes	No	Mixed	Don't Know
Overall	37.7%	48.7%	1.5%	12.1%
Male	43.5%	41.2%	1.2%	14.1%
Female	33.6%	54.9%	1.8%	9.7%
Age				
18-29	27.7%	59.6%	2.1%	10.6%
30-44	41.3%	49.3%	1.3%	8.0%
45-64	39.0%	44.1%	1.7%	15.3%
Over 65	43.8%	31.3%	0.0%	25.0%
Less than 12,500	22.9%	51.4%	0.0%	25.7%
12,500-25,000	29.4%	54.9%	2.0%	13.7%
25,000-35,000	41.2%	47.1%	0.0%	11.8%
35,000-50,000	48.6%	45.9%	2.7%	2.7%
Over 50,000	48.4%	41.9%	3.2%	6.5%
Less than High School	29.0%	48.4%	3.2%	19.4%
High School Graduate	40.5%	36.4%	5.8%	17.4%
College Graduate	56.1%	26.8%	4.9%	12.2%
White	40.7%	46.1%	1.8%	11.4%
Non-White	20.0%	63.3%	.0%	16.7%
East Tennessee	32.9%	52.1%	.0%	15.1%
Middle Tennessee	42.2%	43.8%	3.1%	10.9%
West Tennessee	38.7%	50.0%	1.6%	9.7%
Large City	40.4%	50.9%	1.8%	7.0%
Small City	35.7%	45.2%	2.4%	16.7%
Town	48.4%	38.7%	.0%	12.9%
Small Town	17.9%	71.4%	3.6%	7.1%
Nonfarm Rural	55.0%	30.0%	.0%	15.0%
Rural farm	31.3%	43.8%	.0%	25.0%

If a person had a complaint about 900 number service, who would they contact?

	Attorney General	Public Service Comm.	Local Auth.	Phone Co.	Div. Cons. Affairs	FCC	Better Bus. Bureau	Other	Don't Know
Overall	0.4%	10.7%	1.6%	42.1%	0.7%	2.1%	5.1%	3.8%	33.5%
Age									
18-29	0.7%	6.1%	2.0%	41.9%	0.7%	0.7%	8.1%	4.15	35.8%
30-44	0.4%	12.9%	0.4%	42.8%	1.1%	3.0%	5.9%	3.3%	30.3%
45-64	0.5%	14.1%	1.9%	39.9%	0.5%	1.4%	2.8%	3.8%	35.2%
Over 65	0.0%	4.8%	3.6%	44.0%	0.0%	3.6%	2.4%	6.0%	35.7%
Male	0.3%	13.9%	1.1%	42.5%	0.8%	2.8%	5.1%	2.8%	30.6%
Female	0.3%	7.7%	2.1%	41.8%	0.5%	1.3%	5.1%	4.8%	36.4%
Less than 12,500	2.5%	0.0%	0.0%	36.3%	1.3%	1.3%	5.0%	0.0%	53.8%
12,500-25,000	0.0%	6.7%	2.4%	41.5%	1.2%	1.8%	6.7%	7.3%	32.3%
25,000-35,000	0.0%	11.3%	2.0%	44.4%	0.0%	0.7%	4.0%	3.3%	34.4%
35,000-50,000	0.7%	16.4%	1.4%	41.1%	0.7%	2.7%	6.2%	3.4%	27.4%
Over 50,000	0.0%	15.8%	1.4%	43.9%	0.7%	3.6%	4.3%	2.9%	27.3%
< than High School	0.0%	1.8%	2.8%	40.4%	0.9%	0.9%	0.0%	3.7%	49.5%
High School Grad	0.5%	8.8%	1.7%	40.0%	0.7%	2.0%	6.1%	4.2%	36.0%
College Graduate	0.0%	20.5%	0.5%	48.2%	0.5%	3.1%	5.6%	3.6%	17.9%
White	0.3%	11.5%	1.4%	43.2%	0.8%	1.9%	5.4%	3.7%	31.8%
Non-White	1.1%	6.8%	2.3%	35.2%	0.0%	3.4%	2.3%	4.5%	44.3%
East Tennessee	0.4%	13.8%	1.2%	42.3%	0.4%	1.5%	5.0%	4.6%	30.8%
Middle Tennessee	0.4%	10.0%	2.2%	36.8%	0.4%	2.2%	6.7%	3.7%	37.5%
West Tennessee	0.5%	7.5%	1.5%	48.8%	1.5%	2.5%	3.0%	3.0%	31.8%
Large City	0.0%	9.4%	1.8%	45.5%	0.4%	2.7%	4.0%	4.5%	31.7%
Small City	0.6%	10.3%	2.6%	40.4%	1.3%	1.9%	5.1%	5.1%	32.7%
Town	1.2%	13.4%	1.2%	46.3%	0.0%	2.4%	11.0%	0.0%	24.4%
Small Town	0.0%	14.4%	1.0%	40.4%	1.0%	1.9%	1.9%	2.9%	36.5%
Nonfarm Rural	1.2%	14.1%	0.0%	34.1%	1.2%	2.4%	4.7%	4.7%	37.6%
Rural farm	0.0%	5.0%	1.7%	41.7%	0.0%	0.0%	5.0%	5.0%	41.7%

Do you think that your phone can be disconnected for not paying local service charges?

	Yes	No	Don't Know
Overall	90.6%	4.3%	5.1%
Male	92.2%	3.9%	3.9%
Female	89.0%	4.7%	6.3%
Age			
18-29	90.2%	6.5%	3.3%
30-44	90.1%	4.0%	5.8%
45-64	92.1%	3.2%	4.6%
Over 65	89.3%	2.4%	8.3%
Less than 12,500	84.8%	8.9%	6.3%
12,500-25,000	92.3%	2.4%	5.4%
25,000-35,000	92.2%	2.6%	5.2%
35,000-50,000	89.8%	5.4%	4.8%
Over 50,000	91.5%	4.2%	4.2%
Less than High School	91.9%	4.5%	3.6%
High School Graduate	90.8%	4.9%	4.4%
College Graduate	89.4%	3.0%	7.5%
White	91.2%	3.8%	5.0%
Non-White	85.6%	7.8%	6.7%
East Tennessee	93.7%	3.0%	3.4%
Middle Tennessee	89.6%	4.5%	5.9%
West Tennessee	87.7%	5.9%	6.4%
Large City	86.8%	6.2%	7.0%
Small City	90.4%	2.5%	7.0%
Town	91.4%	4.9%	3.7%
Small Town	97.2%	1.9%	.9%
Nonfarm Rural	92.0%	3.4%	4.6%
Rural farm	88.7%	6.5%	4.8%

Do you think that your phone can be disconnected for not paying long distance charges?

	Yes	No	Don't Know
Overall	83.2%	6.6%	10.1%
Male	81.5%	7.8%	10.6%
Female	85.0%	5.3%	9.7%
Age			
18-29	84.3%	8.5%	7.2%
30-44	83.2%	7.0%	9.9%
45-64	83.8%	6.5%	9.7%
Over 65	78.6%	3.6%	17.9%
Less than 12,500	89.9%	3.8%	6.3%
12,500-25,000	80.8%	7.2%	12.0%
25,000-35,000	80.4%	5.2%	14.4%
35,000-50,000	83.0%	6.8%	10.2%
Over 50,000	84.5%	9.9%	5.6%
Less than High School	89.2%	1.8%	9.0%
High School Graduate	83.0%	6.8%	10.2%
College Graduate	79.8%	9.1%	11.1%
White	83.0%	6.9%	10.1%
Non-White	82.2%	5.6%	12.2%
East Tennessee	82.1%	7.8%	10.1%
Middle Tennessee	84.0%	6.3%	9.7%
West Tennessee	83.7%	5.4%	10.9%
Large City	76.0%	9.3%	14.7%
Small City	83.4%	6.4%	10.2%
Town	86.4%	6.2%	7.4%
Small Town	91.7%	3.7%	4.6%
Nonfarm Rural	86.2%	6.9%	6.9%
Rural farm	83.9%	4.8%	11.3%

Do you think that your phone can be disconnected for not paying for 900 number calls?

	Yes	No	Don't Know
Overall	51.3%	20.9%	27.8%
Male	49.7%	25.0%	25.3%
Female	52.7%	17.0%	30.3%
Age			
18-29	55.9%	23.0%	21.1%
30-44	52.9%	20.6%	26.5%
45-64	45.3%	22.4%	32.2%
Over 65	51.2%	17.1%	31.7%
Less than 12,500	53.9%	14.5%	31.6%
12,500-25,000	48.2%	23.5%	28.3%
25,000-35,000	55.6%	20.3%	24.2%
35,000-50,000	48.3%	21.8%	29.9%
Over 50,000	51.4%	24.3%	24.3%
Less than High School	56.0%	11.0%	33.0%
High School Graduate	53.0%	19.7%	27.3%
College Graduate	44.4%	30.6%	25.0%
White	51.1%	21.0%	27.9%
Non-White	50.6%	22.5%	27.0%
East Tennessee	51.9%	21.3%	26.9%
Middle Tennessee	50.0%	20.8%	29.2%
West Tennessee	52.0%	20.5%	27.5%
Large City	45.7%	25.6%	28.7%
Small City	51.9%	19.9%	28.2%
Town	57.5%	20.0%	22.5%
Small Town	61.3%	17.9%	20.8%
Nonfarm Rural	44.8%	19.5%	35.6%
Rural farm	48.4%	17.7%	33.9%

Has the telephone company ever threatened to disconnect your service for not paying for 900 number calls? (This question was asked of those responding yes to the previous question).

	Yes	No	Don't Know
Overall	4.0%	91.0%	5.0%
Male	2.9%	91.7%	5.4%
Female	4.6%	90.8%	4.6%
Age			
18-29	3.2%	91.4%	5.4%
30-44	2.5%	94.3%	3.2%
45-64	5.0%	89.1%	5.9%
Over 65	8.3%	83.3%	8.3%
Less than 12,500	5.7%	81.1%	13.2%
12,500-25,000	5.4%	91.3%	3.3%
25,000-35,000	4.3%	90.4%	5.3%
35,000-50,000	1.3%	97.4%	1.3%
Over 50,000	3.7%	92.7%	3.7%
Less than High School	3.0%	90.9%	6.1%
High School Graduate	3.7%	91.0%	5.3%
College Graduate	4.8%	93.5%	1.9%
White	3.3%	92.5%	4.2%
Non-White	8.6%	82.8%	8.6%
East Tennessee	3.7%	91.5%	4.9%
Middle Tennessee	6.3%	90.2%	3.5%
West Tennessee	1.7%	91.4%	6.9%
Large City	3.3%	92.5%	4.2%
Small City	4.3%	89.2%	6.5%
Town	2.0%	92.0%	6.0%
Small Town	8.3%	86.1%	5.6%
Nonfarm Rural	2.1%	93.6%	4.3%
Rural farm	3.1%	96.9%	0.0%

Do you have any idea what that would cost?

	Free	\$1-\$15	Over \$15	Monthly charge	Don't Know
Overall	20.6%	6.7%	3.1%	1.5%	68.2%
Male	20.5%	8.3%	2.6%	1.3%	67.2%
Female	20.8%	4.8%	3.6%	1.6%	69.2%
Age					
18-29	19.0%	12.0%	3.0%	4.0%	62.0%
30-44	21.4%	5.5%	3.3%	1.1%	68.7%
45-64	21.6%	5.8%	3.6%	0.0%	69.1%
Over 65	18.9%	3.8%	0.0%	1.9%	75.5%
Less than 12,500	22.9%	8.3%	4.2%	6.3%	58.3%
12,500-25,000	18.4%	5.8%	1.9%	0.0%	73.8%
25,000-35,000	18.4%	7.8%	1.9%	1.9%	69.9%
35,000-50,000	22.5%	2.0%	7.1%	1.0%	66.3%

Do you know if there is a way to stop 900 calls from being made on your telephone?

	Yes	No	Don't Know
Overall	58.5%	25.5%	16.0%
Male	57.0%	26.9%	16.1%
Female	59.7%	24.3%	16.1%
Age			
18-29	59.3%	27.3%	13.3%
30-44	61.9%	23.8%	14.2%
45-64	58.7%	23.9%	17.4%
Over 65	46.8%	32.9%	20.3%
Less than 12,500	45.2%	37.0%	17.8%
12,500-25,000	59.2%	26.8%	14.0%
25,000-35,000	57.1%	24.5%	18.4%
35,000-50,000	62.7%	20.4%	16.9%
Over 50,000	64.0%	22.8%	13.2%
Less than High School	40.2%	35.3%	24.5%
High School Graduate	57.0%	28.1%	14.9%
College Graduate	72.1%	15.8%	12.1%
White	58.9%	25.2%	15.9%
Non-White	55.8%	30.2%	14.0%
East Tennessee	55.9%	29.1%	15.0%
Middle Tennessee	57.1%	23.4%	19.4%
West Tennessee	63.3%	23.5%	13.3%
Large City	64.5%	22.1%	13.4%
Small City	57.0%	25.2%	17.9%
Town	67.5%	15.0%	17.5%
Small Town	53.0%	33.0%	14.0%
Nonfarm Rural	50.6%	32.9%	16.5%
Rural farm	43.9%	36.8%	19.3%